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C O N F I D E N T I A L STATE 045524

FOLLOWING REPEAT CARACAS 02180 SENT SECSTATE DATED FEB 27.

QUOTE

C O N F I D E N T I A L CARACAS 2180

DEPT PASS ARA CAPITALS

E.O. 11652: GDS

TAGS: EFIN, PFOR, CO, BR, VE

SUBJECT: LATIN AMERICAN ECONOMIC SYSTEM (SELA)

REF: QUITO 1368 (B) BRASILIA 1319 (C) BOGOTA 1561 (D) MEXICO 1735

SUMMARY: GOV FINANCE MINISTER HURTADO REPORTED STRONG SUPPORT IN LATIN AMERICAN FOR SELA, WHICH IS JOINTLY SPONSORED BY VENEZUELA AND MEXICO. IT APPEARS THAT THE GOV IS THOROUGHLY COMMITTED TO THE CONCEPT AND ORGANIZATION OF SELA, WHICH CAN BE EXPECTED TO EXPAND THE USE OF CARTEL-TYPE OPERATIONS TO OTHER COMMODITIES IN ADDITION TO OIL. END SUMMARY.

1. MINISTER OF FINANCE HECTOR HURTADO HELD A PRESS CONFERENCE IN CARACAS ON FEBRUARY 26 TO SUMMARIZE THE RESULTS OF HIS RECENT EFFORTS TO EXPLAIN AND ELICIT SUPPORT FOR THE SISTEMA ECONOMICO
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LATINOAMERICANO (SELA) FROM OTHER LATIN AMERICAN COUNTRIES.

DR. HURTADO EXPLAINED THAT MEXICO AND VENEZUELA, WHICH FIRST PROPOSED THE NEW ORGANIZATION LAST SUMMER, HAD DIVIDED THE HEMISPHERE FOR PURPOSES OF CONSULTATIONS. HURTADO'S MOST RECENT TRAVELS WERE TO COLOMBIA, BRAZIL, PERU AND ECUADOR.

2. HURTADO SAID THAT THE PROPOSED ORGANIZATION, WHICH WOULD BE LIMITED STRICTLY TO LATIN AMERICAN COUNTRIES, WOULD DEAL ONLY WITH ECONOMIC MATTERS. ALL COUNTRIES SOUTH OF THE RIO GRANDE (INCLUDING CUBA AND THE CARIBBEAN COUNTRIES (REF D) WOULD BE INVITED TO JOIN, BUT THE CREATION OF THE ORGANIZATION WOULD NOT BE DELAYED IN ORDER TO HAVE UNIVERSAL PARTICIPATION. THE PURPOSE OF THE ORGANIZATION WOULD BE TO CONSIDER JOINT ACTION PROPOSALS WHICH MIGHT INCLUDE STRATEGIES, POLICIES AND PROGRAMS, BOTH BILATERAL AND MULTILATERAL. BASIC OBJECTIVES MIGHT INCLUDE CREATING MULTINATIONAL LATIN AMERICAN ENTERPRISES FOR SUCH PURPOSES AS MARKETING LATIN AMERICAN PRODCUTS ABROAD. AN OBJECTIVE OF THE ORGANIZATION WOULD BE TO CREATE MECHANISMS TO SUPPORT PRICES OF EXPORT PRODUCTS AMONG LATIN AMERICAN COUNTRIES AND WITH INTERNATIONAL ASSOCIATIONS. THE ORGANIZATION MIGHT BE A PARTY TO AGREEMENTS WITH CONSUMING NATIONS.

3. DR. HURTADO DENIED THAT SELA MIGHT CONFLICT IN ANY WAY WITH THE ORGANIZATION OF AMERICAN STATES. HE SAID IT IS SURPRISING THAT LATIN AMERICA DOES NOT ALREADY HAVE AN ORGANIZATION WHOSE MEMBERSHIP IS STRICTLY LIMITED TO THE COUNTRIES OF THE REGION WHICH HAVE SUCH SIMILAR ECONOMIES AND SOCIETIES.

4. HURTADO SAID THAT ALL THE COUNTRIES CONSULTED, INCLUDING BRAZIL, HAD INDICATED STRONG SENTIMENT FOR PARTICIPATION IN THE NEW ORGANIZATION. IN RESPONSE TO A QUESTION HURTADO STRESSED THAT BRAZIL, FAR FROM EXPRESSING A CRITICAL OR RESERVED ATTITUDE TOWARDS THE ORGANIZATION, HAD EXPRESSED STRONG SUPPORT. HE ATTRIBUTED PRESS REPORTS TO THE CONTRARY TO INTERNATIONAL NEWS AGENCIES CONNECTED WITH THE UNITED STATES WHICH HAD PRESENTED A DISTORTED VIEW OF THE REAL SITUATION." THE ONLY CONCERN OF BRAZIL, HE SAID, WAS THAT SELA NOT BE CONVERTED INTO JUST ANOTHER BUREAUCRATIC ORGANIZATION SUCH AS MANY WHICH ALREADY EXIST IN THE HEMISPHERE.

5. HURTADO SAID THAT SELA, WHOSE NAME MIGHT BE CHANGED, WOULD LIKELY BE THE SUBJECT OF A MEETING OF MINISTERS OF FINANCE WHO SOULD
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DISCUSS THE BASES AND APPROVE A GENERAL PLAN FOR CONSTITUTION OF THE ORGANIZATION. IN ADDITION T THE BASIC STATUTES OF THE ORGANIZATION, SUCH A MEETING MIGHT ALSO DECIDE ON CERTAIN IDEAS AND PROJECTS SO THAT THE ORGANIZATION COULD BEGIN TO FUNCTION AS SOON AS POSSIBLE.

6. COMMENT: DR. HURTADO'S REPORT ON THE EACTION OF BRAZIL, COLOMBIA AND ECUADOR CONTRASTS RATHER SHARPLY WITH SOME OF

THE INFORMATION REPORTED IN REFTELS. HIS RATHER TRANSPARENT ATTEMPT TO BLAME U.S.-BASED INTERNATIONAL NEWS AGENCIES FOR DISTORTING THE ATTITUDE OF BRAZIL IS ESPECIALLY DISTURBING. A PROMINENT LOCAL AMERICAN BUSINESSMAN WHO WAS RECENTLY IN BOGOTA INFORMED THE EMBASSY THAT HURTADO EXHIBITED A STRONG ANTI-U.S. BIAS WHILE IN THAT COUNTRY. THE SAME SOURCE REPORTED THAT HIS IMPRESSION OF COLOMBIA'S ATTITUDE TOWARDS THE PROPOSED ORGANIZATION IS DECIDEDLY NEGATIVE. HURTADO'S VIEWS MANY UNFORTUNATELY REFLECT HIS CONTINUING DISPLEASURE AT LACK OF U.S. SUPPORT FOR HIS CANDIDACY AS PRESIDENT OF THE IDB SEVERAL YEARS AGO.

7. DESPITE RESERVATIONS IN THE HEMISPHERE CONCERNING SELA, IT APPEARS THAT VENEZUELA IS THOROUGHLY COMMITTED TO THE CONCEPT AND DETERMINED TO PURSUE ITS CREATION. IF ORGANIZED ALONG THE LINES PLANNED AND FOR THE PURPOSES SPECIFIED, THE EMBASSY ANTICIPATES THAT VENEZUELA WILL GIVE STRONG SUPPORT WITHIN THE ORGANIZATION TO AN ATTEMPT TO EXPAND THE USE OF CARTEL-TYPE OPERATIONS TO OTHER COMMODITIES ALONG THE LINES ACHIEVED BY OPEC.

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